

## Advance payments made and nonperformance - VAT aspects

During Corona virus crisis we can expect disruption of certain customer/supplier relationships and consequent VAT impacts. Customer inability to pay is often discussed, but the situation when a customer made due payment but the supply would not be made is less considered.

In fact, if the supplier has already issued a tax invoice for the payment received (advance payment) and the customer has already claimed VAT on grounds of the invoice but the supply will not be finally effected, the Czech legislation requires the customer to repay VAT claimed although the advance payment is not returned to the customer. Then the customer has no choice than to recover the debt including VAT from the supplier in civil proceedings.

If your company faces such a situation, is not able to get VAT amount back from the supplier and the amount is material you may consider obtaining VAT from the government on grounds of the direct effect of EU law. The EU Court of Justice has ruled that, in very specific instances, the customer can even retain the VAT deduction claimed.

If you have any questions please contact me or your EY team.



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